

August 6, 2008

Dear Shareholder:

The events of the first six months of 2008 have challenged the banking industry. During this period, our bank has shown positive growth in some of our key performance areas; however, we have been negatively impacted as well. Because we value you, our shareholder, we want to keep you thoroughly informed of our operating results.

At June 30, 2008, total assets were \$131.3 million, increasing \$20.8 million, or 19%, from December 31, 2007, and \$32.1 million, or 32%, from June 30, 2007. Total gross loans outstanding were \$119.6 million, increasing \$20.8 million, or 21%, from December 31, 2007, and \$33.7 million, or 39%, from June 30, 2007. Total deposits as of June 30, 2008 were \$98.3 million, increasing \$16.2 million, or 20%, from December 31, 2007, and \$23.5 million, or 31%, from June 30, 2007. Growth in core deposits represented \$7.6 million of the total \$16.2 million growth for the six months. At June 30, 2008, brokered deposits, included in total deposits, were \$43.8 million compared to \$35.2 million at December 31, 2007.

Operations resulted in a net loss of \$110,430 for the quarter ended June 30, 2008 and \$272,396 for the six months ended June 30, 2008. Our net loss can be attributed to two primary factors. First, our non-interest expenses increased in the current year due to the opening of a branch on Wade Hampton Boulevard in October 2007. While opening and operating a new office negatively impacts earnings initially, we believe branching is an important part of our corporate strategy if we are to better serve our shareholders and customers, and position ourselves to reach new customers in the community. Our current year results were also impacted by a decrease in net interest margin from 4.05% for the six months ended June 30, 2007 to 2.81% for the six months ended June 30, 2008. This decrease is primarily due to a decrease in yield on earning assets from 7.81% to 6.38% between periods as a result of the significant rate decreases initiated by the Federal Reserve Board during the first half of 2008. This decrease was only slightly offset by a decrease in cost of funds from 4.87% to 4.28% between periods due to the timing of rate adjustments on liabilities. Our variable rate loans adjust immediately; however, our certificates of deposit renew at current market rates only on their maturity dates.

Although the financial services industry in general remains volatile and uncertain, we want to assure you, our shareholders, that we remain focused on the fundamentals that will enable us to maneuver through these challenging times. We have a strong capital base and seek to maintain excellent credit quality, which should keep us positioned for increasing long-term shareholder value. As we look to the remainder of 2008, we believe credit quality and core deposit growth are critical. Let us assure you that these areas will be our primary focus.

Independence National Bank is a full service commercial bank, providing traditional loan and deposit services, as well as online banking, commercial cash management, remote deposit capture and other essential services for our clients. We strive to maintain a personal focus and are dedicated to meeting the needs of our clients. We value your support as a shareholder. Please do not hesitate to contact us with any questions.

Best Regards,

Lawrence R. Miller
President & CEO

Charles D. Walters
Chairman of the Board

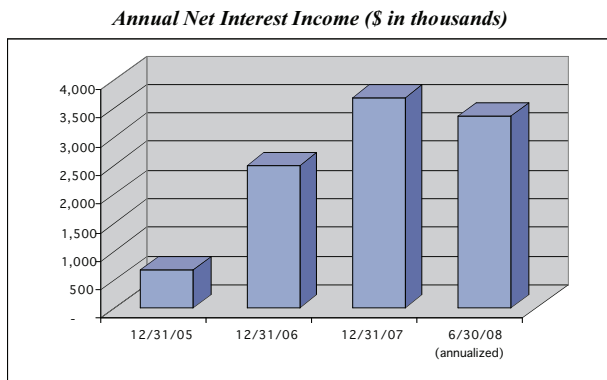


INDEPENDENCE
BANCSHARES, INC.

Financial Highlights
(unaudited)

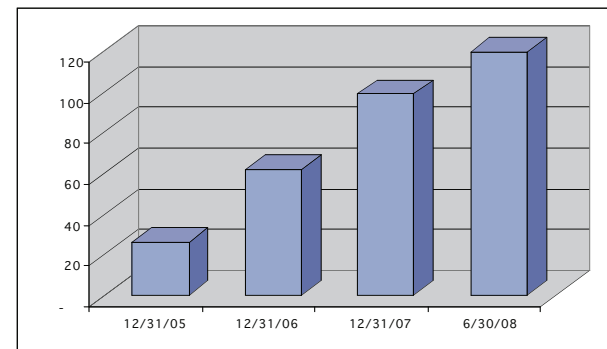
Balance Sheet Data	As of		
	06/30/2008	12/31/2007	06/30/2007
Total assets	\$131,286,770	\$110,511,245	\$99,194,326
Loans, gross	119,647,432	98,891,370	85,938,351
Allowance for loan losses	1,554,491	1,283,491	1,113,491
Deposits	98,337,936	82,133,117	74,823,966
Shareholders' equity	18,803,594	18,989,433	18,598,531

Income Statement Data	For the Six Months Ended	For the Quarter Ended	For the Quarter Ended
	06/30/2008	06/30/2008	03/31/2008
Net interest income	\$1,682,424	\$833,397	\$849,027
Provision for loan losses	271,000	107,000	164,000
Non-interest income	36,955	20,210	16,745
Non-interest expenses	1,861,075	914,437	946,638
Net loss, net of tax	(272,396)	(110,430)	(161,966)
Net loss, per diluted share	(0.13)	(0.05)	(0.08)

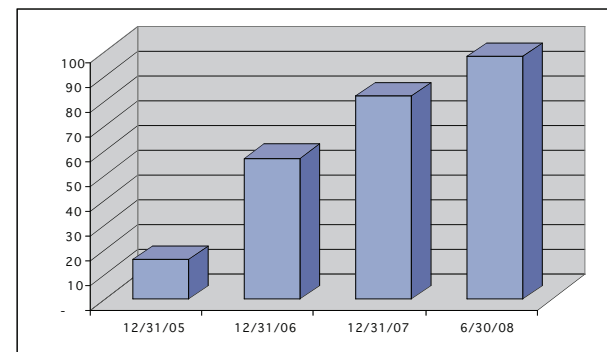


INDEPENDENCE
BANCSHARES, INC.

Gross Loans Outstanding (\$ in millions)



Deposits Outstanding (\$ in millions)



Total Assets (\$ in millions)

